

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 H-03 NSC-07 SS-20

STR-08 CEA-02 PA-04 PRS-01 USIA-15 DRC-01 FEA-02

AGR-20 SWF-02 JUSE-00 FTC-01 /184 W

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R 081412Z APR 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 3466

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E.O. 11652: N/A

TAGS: EGEN, NI

SUBJECT: INDIGENIZATION: ONE WEEK AFTER

1. SUMMARY THOUGH UNDERLYING SUSPICION OF EXPATRIATE FIRMS PERSISTS, ONE WEEK AFTER INDIGENIZATION DECREE BECAME LAW OF LAND RELATIVE ABSENCE OF PUBLIC MANIFESTATION OF SATISFACTION OR COMPLAINT HAS BEEN ALMOST ANTICLIMATIC. DETAILS OF EXPATRIATE FIRMS THAT FAILED TO COMPLY OR OBTAIN DEFERMENTS OR EXEMPTIONS YET TO BE PUBLISHED AND PUBLICATION MAY PROVOKE RUSH OF COMMENT, AVAILABLE EVIDENCE SUGGESTS FMG APPLIED DECREE RESPONSIBLY, AND SO FAR WE HAVE HAD NO DISTRESS SIGNALS FROM US FIRMS. END SUMMARY.

2. SO-CALLED INDIGENIZATION DECREE (ENTERPRISES PROMOTION DECREE OF 1972) BECAME LAW OF LAND APRIL 1. ON THAT DATE, 22 ACTIVITIES ON SCHEDULE I OF DECREE WERE REQUIRED TO HAVE 100 PERCENT NIGERIAN EQUITY PARTICIPATION. ANOTHER 33 ACTIVITIES ON SCHEDULE II WERE REQUIRED TO HAVE EITHER 100 PERCENT NIGERIAN EQUITY PARTICIPATION OR IF PAID UP CAPITAL IN EXCESS OF \$500,000 OR ANNUAL TURNOVER IN EXCESS

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OF \$1,500,000 NIGERIAN EQUITY PARTICIPATION OF 40 PERCENT.

FIRMS NOT IN COMPLIANCE OR EXEMPTED OR DEFERRED, WERE
SUBJECT TO FMG TAKEOVER IF STILL IN BUSINESS ON APRIL 1.

3. IN SPITE OF CONTENTIOUS SERIES OF NEWSPAPER ARTICLES
AND ADVERTISEMENTS THAT PRECEDED D-DAY AND TYPICALLY WARNED
OF DANGERS OF EXPATRIATE SUBVERSION OF DECREE'S SPIRIT AS
WELL AS LETTER, POST D-DAY COMMENT IN PRESS HAS BEEN MOSTLY
CONSPICUOUS BY ITS ABSENCE. TO VERY CONSIDERABLE EXTENT, ATTENTION
NIGERIAN PRESS AND PUBLIC PRE-EMPTED ON MARCH 31 AND DAYS IMMEDIATELY
FOLLOWING BY GENERAL GOWON'S BUDGET SPEECH AND DISCUSSION OF
HIGHLIGHTS OF BUDGET MADE AVAILABLE BY COMMISSIONER OF FINANCE.
HOWEVER FMG HAS ALSO ACTED TO MINIMIZE CONTROVERSIAL DISCUSSION
OF INDIGENIZATION AND IN PARTICULAR TO FORESTALL CRITICISM
OF ITS CONCESSIONS IN APPLICATION OF DECREE.

4. IN WEEKS IMMEDIATELY PRECEDING D-DAY, COMMISSIONER OF
INDUSTRY EXEMPTED FROM OPERATION OF DECREE ROAD HAULAGE OF
PETROLEUM PRODUCTS AND ALSO FREIGHT FORWARDING AND CLEARING,
BOTH ON SCHEDULE I. THESE WERE ACTIVITIES IN WHICH NIGERIANS
HAD CAPABILITIES AND ASPIRATIONS, AND PERTINENT NIGERIAN
PROFESSIONAL ASSOCIATION HAD CAMPAIGNED TO POINT OF
PUBLIC ADVERTISEMENTS URGING THEIR FULL INDIGENIZATION.
COMMISSIONER TOOK STRONG LINE IN PUBLIC STATEMENTS THAT
EXEMPTIONS DESIRABLE IN INTERESTS EFFICIENT AND RELIABLE
SERVICE TO NIGERIAN BUSINESS AND PUBLIC, AND IN EFFECT
WARNED COMPLAINANTS THAT THEIR APPEALS WOULD SERVE
NO PURPOSE. IN HIS BUDGET SPEECH, GENERAL GOWON OBSERVED
THAT DECISION TRANSFER CERTAIN ENTERPRISES FROM SCHEDULE I
TO II HAD AROUSED APPREHENSION AND QUESTIONS HAD BEEN ASKED
ABOUT READINESS OF GOVERNMENT TO COPE WITH RAMIFICATIONS
THIS MOMENTOUS UNDERTAKING. GENERAL ASSURED PUBLIC THAT
WHATEVER IT DID IN CONNECTION WITH DECREE GOVERNMENT WOULD BE
GUIDED STRICTLY BY NATIONAL INTEREST.

5. IMPORTANT SYMBOL OF COMPLIANCE HAS BEEN UNITED AFRICA
COMPANY, UNILEVER AFFILIATE THAT ON ACCOUNT OF DELAYS IN LEGAL
RESTRUCTURING ITS CORPORATE INTEREST WAS UNABLE TO MEET
MARCH 31 DEADLINE. UAC INABILITY MEET DEADLINE WAS PUBLIC
KNOWLEDGE, AND OCCASION FOR LETTERS TO PRESS AND ADVERTISEMENTS
URGING FMG TO TAKE OVER UAC ON APRIL 1. NONETHELESS,
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COMMISSION FOR INDUSTRY ANNOUNCED APRIL 6 THAT UAC
HAD BEEN GRANTED SIX MONTHS' DEFERMENT IN ORDER TO ACHIEVE
COMPLIANCE.

6. WE HAVE NOT SURVEYED US FIRMS INDIVIDUALLY. HOWEVER IN
APRIL 2 MEETING WITH APPROXIMATELY ONE HALF OF US BUSINESS
COMMUNITY (SECOND MEETING SCHEDULED FOR APRIL 11), AMBASSADOR
INVITED FIRMS TO INFORM EMBASSY IF THEY HAD PROBLEMS. SO FAR

WE HAVE HAD NO DISTRESS REPORTS, BUT RATHER REPORTS OF COMPLIANCE, DEFERMENTS OR EXEMPTIONS. AMONG PROMINENT FIRMS IN LAST TWO CATEGORIES ARE AMPECA (NIGERIAN AFFILIATE OF MOTION PICTURE EXPORT ASSOCIATION OF AMERICA) FARRELL LINES, IBM, GTE, BLACK AND DECKER, SINGER. AMONG OTHER EXPATRIATE FIRMS REPORTED TO HAVE DEFERMENTS OR EXEMPTIONS ARE DUNLOP, BATA, ICL,

7. FMG HAS NOT YET PUBLISHED, ALTHOUGH IT HAS PROMISED TO DO SO, LIST OF EXPATRIATE FIRMS THAT COMPLIED OR FAILED TO COMPLY OR WERE GRANTED DEFERMENTS OR EXEMPTIONS, AND PUBLICATION MAY PROVOKE RUSH OF COMMENT, AS REFLECTED IN ARTICLE IN LAGOS DAILY TIMES LAST WEEK (LAGOS 2770) THERE IS DEEP CURRENT OF SUSPICION THAT EXPATRIATE FIRMS DETERMINED TO SUBVERT PURPOSE OF DECREE ONE WAY OR ANOTHER, AND IN APRIL 6 TIMES ARTICLE, IMPLIED FMG MIGHT BE WITTING OR UNWITTING ACCOMPLICE. TIMES WONDERED IF APRIL 1 TRULY APRIL FOOL'S DAY SO FAR AS INDIGENIZATION CONCERNED.
REINHARDT

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